

EXTRACT FROM INDEPENDENT REVIEW OF THE DEVON & SOMERSET FIRE & RESCUE AUTHORITY MEMBERS' ALLOWANCES SCHEME (AS CONSIDERED AT THE AUTHORITY BUDGET MEETING ON 18 FEBRUARY 2020)

(i) Non-Executive Director (NED) roles on Red One Ltd

- 6.25. The role of NED on Red One Ltd had been developing over the period of the recent reviews. At the time of the last review there were three Authority NEDs, now there are only two. However, the Red One Board of Directors has been restructured since the last review and now provides for: two Independent NEDs (one of whom must be the Chair of the Board); two Authority Member NEDs; two Service officer NEDs; together with Executive Directors as may be appointed by the Board. This restructuring of the Board was a direct result of the Authority's recognition that the governance arrangements for Red One needed to be strengthened.
- 6.26. Guidance recognises that Non-Executive Directors may be remunerated although it is sometimes the case that these positions are not remunerated. Under the Local Authorities (Companies) Order 1995 Part 2, Regulation 5 the Authority Members appointed as non-executive director of Red One Ltd are "regulated directors" for the purposes of the Regulations (with Red One similarly being a "regulated company"). 5(1)(a) limits the amount of remuneration payable to a regulated director, with 5(3)(a) defining that limit as: "greatest amount which would for the time being be payable...in respect of a comparable duty performed on behalf of the Authority, less any amount payable by that authority in respect of the relevant duty" (paragraph 5).
- 6.27. The new Independent Chair was appointed in April 2018 and was interviewed as part of the Review. Her view was that currently the Board members have a very challenging role in ensuring the company has a firm operational footing. This view was shared by the Authority Chair and Vice Chair. The Independent Chair estimates the Member NEDs at present spend about 1½ days a month on the role and that for the time being this is likely to continue but may reduce in the future.
- 6.28. As part of the 2015 Review, the Review author identified the [then] Commercial Services Committee as a potential comparator which had an SRA with a multiplier of 1.5x Basic Allowance because it met once a month (the relevant regulations set out that one of the permitted reasons for an SRA is "acting as a member of a committee or sub-committee of the authority which meets with exceptional frequency or for exceptionally long periods"). This would have given an SRA [at that time] of £3,900. However, the Authority did not accept this and set an SRA at £6,000. The Review author felt at the time there was insufficient evidence to make a well-founded recommendation for a higher level of allowance.

- 6.29. As a further guide, as set out at paragraph 5.5, using the current LGA day rate of £300 less the public service element of 30% (giving a day rate of £210), 18 days a year would equate to £3,780 per annum. A multiplier of 1.5x Basic Allowance would give an SRA of £4,179 per annum (assuming the increase in Basic Allowance is accepted).
- 6.30. The circumstances of Red One are constantly changing and from the evidence there has been an increase in workload hence I am recommending that the SRA is maintained at the existing level. The expectation is that this workload should settle down and the SRA should be reviewed for 2021/22.
- 6.31. In the current circumstances given the challenges of the organisation and the pressures on the NEDs and also to align with the approach on other SRAs **I am recommending that the NED role should continue to receive an SRA of £6,305 for 2020/21 and the Authority should review this for 2021/22 with a view to using a multiplier of 1.5x Basic Allowance as set out at paragraph 6.29 above.**